

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 /093 W

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R 141507Z APR 76

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 2394

INFO AMEMBASSY ALGIERS

AMEMBASSY ROME

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E.O.: 11652: N/A

TAGS: ENRG, AG, IT, TS

SUBJ: ALGERIAN GAS PIPELINE TO ITALY

REF : ALGIERS 0944

1. BOTH ITALIAN ECON COUNSELOR SCIORTINO AND TUNISIAN DIRECTOR OF ENERGY KAROUI HAVE CONFIRMED THAT PROJECT TO EXTEND ALGIERS TO ITALY GAS PIPELINE THROUGH TUNISIA IS IN STATE OF SUSPENSE. SCIORTINO SAID THAT, BASED ON HIS CONVERSATIONS WITH HIGH TUNISIAN OFFICIALS, SUSPENSION OF PROJECT RESULTED FROM LACK OF TUNISIAN INTEREST IN ALGERIAN GAS FOLLOWING OFFSHORE DISCOVERIES AND ALGERIAN INSISTANCE ON "COMMERCIAL PRICE" FOR GAS WHILE GOT WANTED "BROTHERLY" PRICE. HE ALSO NOTED GOT RELUCTANCE TO IMMOBILIZE ITS ONE THIRD SHARE OF TOTAL COSTS OF CONSTRUCTING PIPELINE ACROSS TUNISIA WHICH HAD BEEN ORIGINALLY ESTIMATED AT OVER \$300 MILLION IN 1973 BEFORE PRICE ESCALATION. FUTHERMORE, HE SAID, GOT IN ORDER TO INCREASE ITS VOICE IN PROJECT, WANTS SOME PARTICIPATION IN CROSS-MEDITERRANEAN PORTION OF PROJECT BUT RELUCTANT PROVIDE ITS SHARE OF FUNDS. HE SAID THAT AS

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FAR AS HE KNEW, TUNISIAN-ALGIERAN DISCUSSIONS OF SUBJECT HAS

PETERED OUT ABOUT ONE YEAR AGO AND UNLIKELY GET OFF GROUND
IN CURRENT UNFAVORABLE POLITICAL CLIMATE.

2. SCIORTINO ADDED THAT WHILE ITALY STILL MORE INTERESTED
IN GAS PIPELINE THAN ALGERIA AND CERTAINLY TUNISIA, GAS
DISCOVERIES IN PO VALLEY DECREASED ITALIAN SENSE OF URGENCY.
POSSIBLE BY-PASS OF TUNISIA THROUGH MEDITERRANEAN HAD BEEN
RAISED BUT APPEARED MOST UNLIKELY, HE SAID, FOR TECHNICAL
AND ECONOMIC REASONS AND WOULD REQUIRE FULL NEW STUDY.

3. KAROUİ STATED THAT NO PROGRESS HAS BEEN MADE FOR OVER
A YEAR ON NEW TRANSIT AGREEMENT WHICH HAD BEEN REQUESTED
BY GOT. HE IMPLIED THAT PENDING ISSUES EXTENDED WELL BEYOND
TRANSIT FEES TO INCLUDE SUCH QUESTIONS AS FORMATION OF SPECIAL
TRI-PARTITE COMPANY TO CONSTRUCT TUNISIAN SECTION OF
PIPELINE AND DIVISION OF FINANCING BETWEEN ALGERIA, TUNISIA
AND ITALY. KAROUİ WAS NON-COMMITTAL WHEN TOLD THAT SONATRACH
HAD CALLED FOR BIDS TO CONSTRUCT HASSI R'MEL-TUNISIAN BORDER
SECTION OF PIPELINE, EXCEPT FOR ENIGMATIC REMARK THAT
SINCE ITALIANS TO TAKE POSSESSION OF GAS AT ALGERIAN BORDER,
DISPOSITION OF GAS AT THAT POINT IS ITALIAN, AND NOT TUNISIAN
PROBLEM.

4. COMMENT: WHEN USDOC DISCEMINATES SONATRACH TENDER, BELIEVE
IN FAIRNESS TO U.S. BIDDERS IT SHOULD ALSO POINT OUT THAT
THERE IS NO AGREEMENT ON CONTINUATION OF PIPELINE THROUGH
TUNISIA. DESPITE GOT LACK OF INTEREST IN PROJECT, WE
AGREE WITH PARA ONE REFTTEL, HOWEVER, THAT TUNISIAN TRANSIT
AGREEMENT POSSIBLE IN EVENT OF "GENEROUS ALGERIAN OFFER"
BUT WONDER WHETHER SUFFICIENTLY GENEROUS OFFER IS LIKELY
IN VIEW OF STRAINED POLITICAL RELATIONS BETWEEN TWO
COUNTRIES. INFO IN PARAS 1-3 ABOVE GENERALLY COMMON KNOWLEDGE
AND CAN BE DRAWN ON IN BRIEFING U.S. FIRMS BUT SOURCES OF
INFORMATION SHOULD BE CAREFULLY PROTECTED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, PETROLEUM PIPELINES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TUNIS02647
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760142-0141
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760460/aaaabzter.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ALGIERS 944
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAY 2004 by BoyleJA>; APPROVED <12 MAY 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALGERIAN GAS PIPELINE TO ITALY
TAGS: ENRG, AG, IT, TS, SONATRACH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006